

## Finance subcommittee report

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The Finance subcommittee of SERC has spent the past several months gathering information about the financial impact of tuitioning high school students out of Kittery School District. We used data and information from Marshwood High School to approach this analysis. The subcommittee recommended that the School Committee hire a consultant to provide an independent analysis of financial considerations. The committee also met with MSAD 35 Superintendent Jeff Bearden and Board member Ellen Breed and gathered information from various sources, including the Maine Department of Education, Kittery school department officials, and, via email, from Dr. Bearden and Marshwood High School principal Paul Mehlhorn.

Dr. Gerald S. “Jake” Clockedile, an independent financial consultant with extensive experience in school finance recommended by the Maine Department of Education and Drummond Woodsum, prepared a financial analysis on the costs of tuitioning students from Traip and presented his analysis in draft form on September 20, 2010. This section of the SERC report presents additional information regarding costs and further develops Dr. Clockedile’s analysis. The Finance subcommittee also presents a comparison of various features of Traip and Marshwood so that readers can obtain a wider view of what each institution has to offer.

### 1. Cost comparison of tuitioning to Marshwood High School vs. maintaining Traip Academy

#### Summary of Clockedile report

On September 20, 2010, Dr. Clockedile presented a draft of his report, “Comparison of Traip Academy Operating Costs V. Potential Tuitioning of all 9-12 Students,” which is attached to the SERC report as Appendix A. This report examined various costs related to Traip Academy, including the cost of special education and short-term costs such as unemployment. (For all details, see his report).

Dr. Clockedile’s analysis assumed a tuition rate of **\$9,378**, an enrollment of **276** students and that **all costs remained constant**, including the cost of tuition. (All costs would undoubtedly increase over time, but for the purpose of an “apples-to-apples” analysis, costs are presented as constant).

One of the costs not included in the tuition rate is transportation. Based on information provided by Ledgemere Transportation, the report also assumed that transporting Kittery high school students would require **four or possibly five additional buses**. Currently, **seven buses** serve Kittery’s three schools, with two of those buses doing 6 a.m. runs to Traip Academy. Because of the distance to Marshwood and the likelihood that more students would ride the

bus, more buses would be required. Currently many students walk to Traip and, because of the distance and safety concerns, another percentage who drive might take the bus instead. The district would still seven buses to serve K-8 students. Condensing existing bus routes into four or five early high school morning runs to South Berwick (e.g. busses running 5:15 a.m. to 6:30 a.m.) is not feasible.

In tuition situations, tuitioning-in schools negotiate additional payments for educating special education students. For special education, Dr. Clockedile discounted Traip's current cost of **\$573,050** by **25%**, and estimated **\$429,790** in extra costs for special education students. This cost provides a reasonable estimate, but it is important to remember that special education costs can spike dramatically, especially if a school district ends up supporting the cost of an out-of-district special services school, with tuition costs of \$100,000 or more per student. Conversely, special education costs could decrease if the Individual Educational Programs (IEP) of future students allow them to fit into existing services at the receiving school. At present, there is no way to forecast these costs.

Dr. Clockedile's estimate for annual savings, after two years of unemployment costs had expired, amount to approximately **\$402,542** a year, a figure that would increase to approximately **\$486,282** if Kittery were to discontinue its participation in the 9-12 Maine Laptop Initiative, a program that provides laptops for all high school students (and in which Marshwood High School does not participate).

<b>Tuition (276 X \$9378)</b>		<b>\$2,588,328</b>
<b>Buses (\$47,510 each)</b>		<b>\$ 190,040</b>
<b>Special Education</b>		<b>\$ 429,790</b>
<b>Laptop lease</b>		<b>\$ 83,720</b>
		<b>=====</b>
<b>Total cost of tuition</b>	<b>=</b>	<b>\$3,291,878</b>
<b>Net savings</b>	<b>=</b>	<b>\$ 402,542</b>
<b>Net savings minus</b>		
<b>Laptop program</b>	<b>=</b>	<b>\$ 486,282</b>

Dr. Clockedile's report assumed a constant enrollment of 276 students. The figure of 276 students is based on Traip's enrollment in 2009-2010. Enrollment is probably the single most significant factor in the costs related to the question of tuition.

In 2010-11, **286 students** are attending Traip. The addition of 10 additional students adds another **\$93,780** in tuition to the cost side of the equation, bringing down savings to **\$309,248 - \$392,502**.

On the other side, savings increase as enrollment at Traip drops because costs for tuition decrease. With an enrollment of 250 students, an additional savings of **\$243,828** is incurred, with a net savings of **\$646,370 - \$730,110**.

**286 students = \$309,248 - \$392,502 savings**

**276 students = \$402,542 - \$486,282 savings**

**250 students = \$646,370 - \$730,110 savings**

The **annual carrying cost of capital maintenance** carried out over time at Traip is another element of cost. In the near future, Traip Academy needs significant repair and renovation, particularly to its mechanical systems.

While it could be argued that one item or another could be added or dropped from the list of renovations and/or capital improvements at Traip, general agreement exists between the town and the school department that the Traip building needs work, as evidenced by the fact that the Town's 2010-2011 budget includes \$15,000 to hire a consultant to develop estimates for mechanical system improvements at Traip.

The 2008 WBRC report (prepared as part of the process that led to the 3-school configuration) estimated the building replacement value of Traip at \$11.45 million. Building replacement value is a key factor in estimating the **average annual capital maintenance and renewal cost** for an existing building (a cost that might be bonded, but is a cost nonetheless).

A general rule of thumb for estimating the average annual capital maintenance and renewal cost is **2% of the replacement cost – which equals \$229,000 per year for Traip Academy**. The 2009-2010 school budget provided **\$51,941** budget for repairs and maintenance to Traip. The School District also maintains a Dedicated Maintenance Account with a current balance of \$150,000. For the purpose of our analysis, we will use the figure of **\$100,000 per year** as a placeholder to estimate the annual carrying cost of capital improvements and renewal.

Adding \$100,000 as the annual cost for capital improvements at Traip brings the annual savings to **\$502,542** with 276 students, or **\$586,282** with no laptop program.

The table below shows the **combined impact of enrollment and capital costs on savings**, starting with year 1 and assumes no participation in the

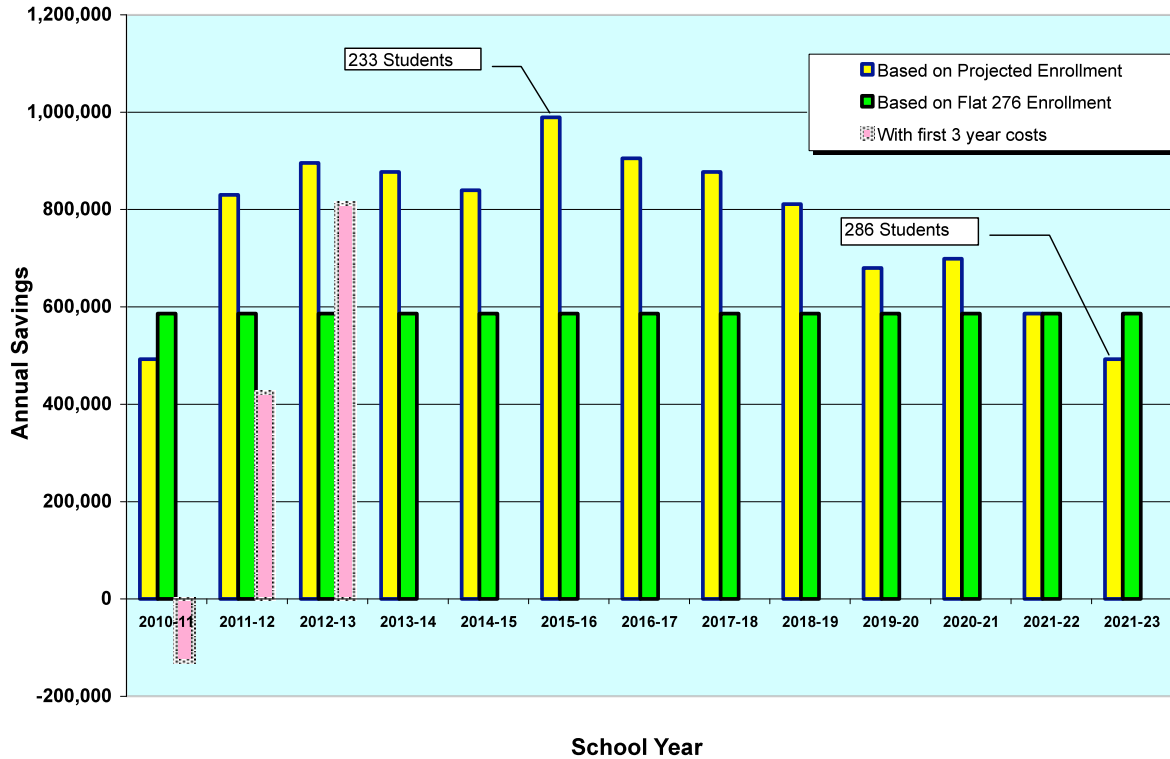
Maine Laptop Initiative after year 3 (because Marshwood does not currently participate in the program). The table uses **2010-2011 enrollment figures for year 1** and then uses projected enrollment figures from the Planning Decisions study which projects enrollment through 2018 (Appendix B). Year 12 is a hypothetical year, derived analysis of the enrollment study and past Kittery enrollment trends.

Year	Enrollment at TA	Other cost factors	Total savings
1	286	\$536,910 unemployment + \$83,720 MLTI lease	(\$128, 148) loss
2	250	\$322,164 unemployment + \$83,720 MLTI lease	\$424,206*
3	243	\$83,720 MLTI lease	\$812,016
4	245		\$876,980
5	249		\$839,468
6	233		\$989,516
7	242		\$905,114
8	245		\$876,980
9	252		\$811,334
12+	286		\$492,502

\*Another view is that savings are **\$296,058** in Year 2, after absorbing the loss from Year 1

This analysis suggests that tuitioning students to Marshwood would save up to **\$989,516** or more if 9-12 enrollment reached **233 students**. However, as student numbers increase – even in the range of 20-30 students, savings decrease dramatically. While the Planning Decisions study has been a useful planning tool, it projected 264 students in 2010-11, and 286 students are enrolled – and the addition of those 22 additional students would have had significant impact on the cost of tuition.

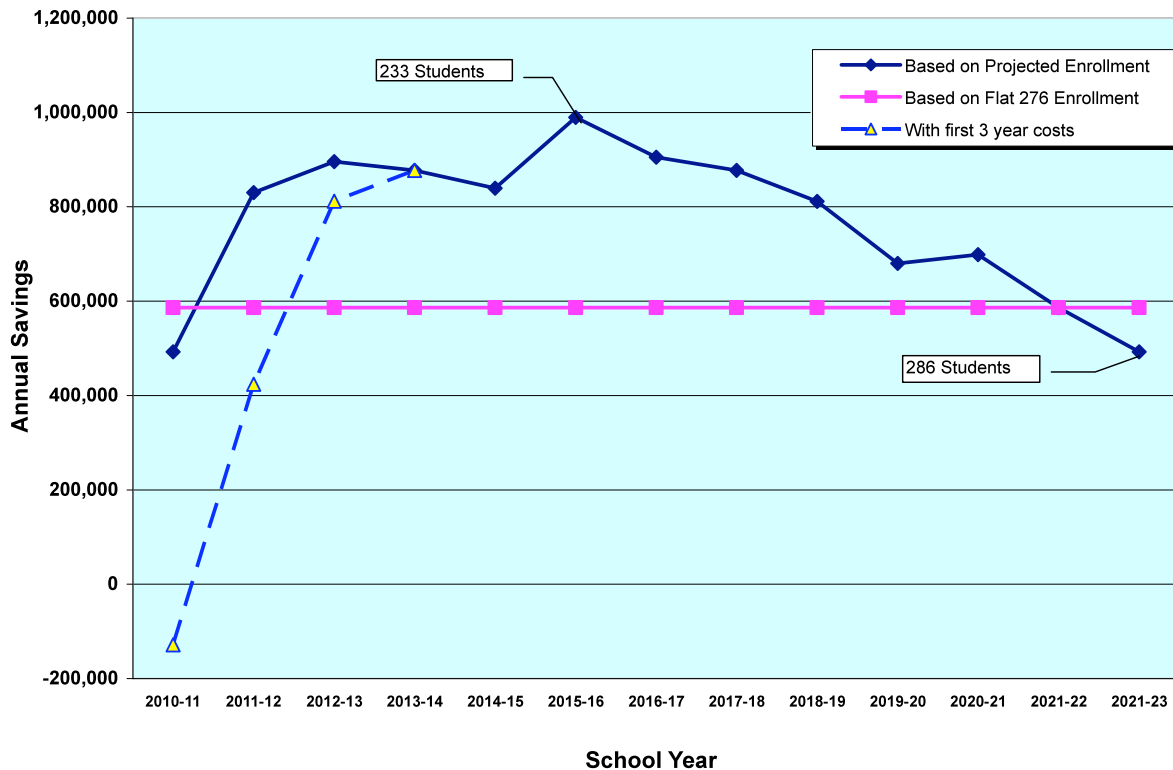
## Potential savings over a 12-year period, including capital costs<sup>1</sup>



The Planning Decisions enrollment study suggests a ten-year dip in Traip enrollment, a decline which began in 2008-09. Projected enrollment is a wave that will dip to about 240, and then crest at 280-300 students. The decline “bottoms out” in 2015-16, and then begins to increase. In the last year of the study, (2018-2019) when **252** students are projected for enrollment at Traip, **308** students are projected for enrollment in Grades 5-8, suggesting that enrollment at Traip could begin to increase to the 280-300 student mark and stay there for several years.

<sup>1</sup> Both charts use the same data and assume all costs are constant. However, past trends suggest the state tuition rate increases 4-5% annually)

## Potential savings over a 12-year period, including capital costs



Clearly, enrollment is the key factor in any significant savings associated with tuitioning out students.

## 2. Meeting with MSAD 35

To gather more information about Marshwood High School and questions related to tuition, sub-committee members Patti Ayer, Dianne Fallon and Mike Lee met with MSAD 35 Superintendent Jeff Bearden and School Board member Ellen Breed on June 16, 2010, at Town Hall Chambers in Kittery.

At the meeting, Dr. Bearden answered a number of specific questions submitted in advance by SERC. Some answers are embedded in the comparison table below while others are addressed in this section and other areas of the report.

Marshwood High School was built to accommodate 1,100 students. MSAD 35 expects to see a slow but steady decline of 1-1.5% each year through 2019-20,

with high school enrollment estimated at 669 for that year. (Figures for Marshwood enrollment are from a study conducted by New England School Development Council, January 2010).

Based upon the enrollment study and current student numbers in GR K-3, we expect that Kittery's enrollment will begin to climb after a period of decline. While Marshwood's study does not project a similar increase, the possibility exists that the combination of students from Kittery, Eliot and South Berwick could "max out" high school capacity, although probably not by a significant degree. For example, if 300 Kittery students were attending Marshwood, and 800 from Eliot and South Berwick, the school would reach its student capacity. However, given past trends and current data, a "max-out" situation seems unlikely.

Dr. Bearden stated that the district is interested in tuitioning because it wants to preserve quality programs as enrollment decreases. He observed that, as in Kittery, a decision on tuitioning in students would generate much debate within the communities of Eliot and South Berwick and noted that the decision to tuition is both a financial and emotional issue.

Dr. Bearden emphasized that if Kittery were to tuition its students, Kittery students would have all the same rights and privileges of Marshwood students. Kittery students would access the same scholarships accessed by Marshwood students, except for those with selection criteria designating them for town residents (The Traip Trustees also award certain scholarships with specific selection criteria). Students facing significant disciplinary issues would follow the same procedures and have the same rights as MSAD 35 students.

A number of questions could not be answered because the answers to the questions would be negotiated if Kittery and MSAD 35 were to move forward with a tuition contract.

One significant area was the "extra costs" associated with special education students, as discussed above. In a tuition situation, Kittery would "own" the IEP of a district special education student, but calculating the "extra cost" of special education students would be an item for negotiation in a tuition contract.

Other items for negotiating include whether or not Kittery residents could have a formal role in policy decision-making, as well as the wind-down period or process followed if Marshwood were to cancel a tuition contract.

### 3. Comparison of Traip and Marshwood Features

The tables below present a comparison of various features of Traip and Marshwood, offering an overview of what each school has to offer. Information was gathered at the meeting with MSAD 35 and in follow-up emails; from Kittery school officials; from Traip and Marshwood websites; and from sources published at the Maine Department of Education website.

#### Academics

The following table provides comparisons on a variety of issues related to academic quality, including staffing, program of studies information and achievement data. One key distinction is **Kittery requires students to complete 23 credits to graduate, two more than Marshwood**. Another significant distinction is that **Traip is now participating in the Maine Laptop Initiative** that supplies all students 9-12 with laptop computers while Marshwood is not.

Features	Traip/Kittery	Marshwood/MSAD 35
<b>Accreditation status</b>	NEASC	NEASC
<b>School day—student hours</b>	7:30 – 2:05	7:45 - 2:00
<b>School day—teacher hours</b>	7:00-2:40	7:15 - 2:15
<b>Teacher pay scale</b>	BA \$32,357-55,953 MA \$35,269-60,988 MA+30 \$35,593-61,548 MA+45 \$36,240-62,667	BA - \$33,576 - \$56,252 MA - \$36,934 - \$61,177 CAGS/2nd MA - \$37,606 - \$63,002
<b>Faculty credentials</b>	Staff credentials (includes all staff) 41% have BA or BS 57% have MA or MS 2% have CAS	Faculty credentials 26 bachelors 40 masters 90% meet standard for “highly qualified” according to federal standards
<b>Teacher/student ratio</b> (excluding special education teachers and paraprofessional staff)	1:10 (278/27) Traip calculation excludes Special Ed teaching staff	1:15 (789/52 academic teachers)
<b>Average class size</b>	15* (2009-10)	No specific average provided



<b>Features</b>	<b>Traip/Kittery</b>	<b>Marshwood/MSAD 35</b>
<b>Range of class sizes</b>	2-26, 38 (Band is 38) Core Math and English class size ranges from 17-26	10-25, occasionally history will have 26-28; core math and English class sizes 18-22 students
<b>Special education</b>	Four FT teachers, with one teacher assigned to Choices program.  25% spend <40% class time mainstreamed 37% spend 40-75% of class time mainstreamed 38% spend 80% of class time mainstreamed	Three full-time teachers  75-90% of students mainstreamed for core courses.
<b>AP Course offerings (from Program of Studies)</b>	<b>Total of 5:</b> AP English 12, AP Calculus, AP US History, AP Physics B, AP Studio Art, (5) plus access to Virtual High School courses	<b>Total of 9:</b> AP English Language and Composition, English Literature and Composition, AP US History, AP Studio 2-D/Drawing, AP US Government & Politics, AP Art History, AP Calculus, AP Biology, AP Chemistry and AP Physics B (9)*.
<b>Languages Taught</b>	French, Spanish	French, Spanish, Latin
<b>Community Service requirement</b>	40 hours required for graduation	50 hours required for graduation
<b>Maine Laptop Initiative</b>	Participates	Does not participate
<b>Credits required for graduation</b>	23 credits required	21 credits required
<b>Graduation rate 2006-2008<sup>2</sup></b>	94% (2007-2008) 79% (2006-2007) 82% (2005-2006)	92% (2007-2008) 93% (2006-2007) 91% (2005-2006)

<sup>2</sup> <http://www.maine.gov/education/enroll/grads/comprate/comprate.htm>

<b>Features</b>	<b>Traip/Kittery</b>	<b>Marshwood/MSAD 35</b>
<b>Three-year average<sup>3</sup> achievement rate</b> (compilation of three years of student performance on SAT and related assessments)	46%	54%
<b>Type of scheduling structure</b>	Four days of block  1 day of all-day	Monday, Tuesday and Friday -- 7 43-minute periods  Wednesday and Thursday: block period of 1 hour and 25 minutes
<b>Guidance staff</b>	2 Guidance counselors; 1:143	1:156 students, excluding recently hired Wellness Counselor
<b>Post-secondary education data for grads</b>	65 graduates – 88% reported a post secondary plan: 58% headed to a 4 year college 23% to a two year college 5% to post-secondary training ( certificate/internship) 2% to military 12% to employment ( with 3 of 8 confirmed placements)	55% - four-year 25% - two-year 1% - military 19% not specified in profile (from Marshwood High School profile)

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<sup>3</sup> <http://www.maine.gov/education/progress/saplist.html>

## Athletics and Extracurricular Activities

Although Marshwood offers more choices in sports to student, Traip features more overall participation in sports. The list of sports offered does not equal the number of teams, or separate teams by gender (e.g. “basketball” covers both boys and girls basketball). Kittery fields two teams for several sports and Marshwood typically fields three teams for its most popular sports. Kittery and Marshwood have joint teams in hockey and wrestling.

<b>Features</b>	<b>Traip/Kittery</b>	<b>Marshwood/MSAD 35</b>
<b>% of students participating in sports</b>	39% average 2009-2010	28% 2009-2010
<b>Sports eligibility</b>	Must maintain passing status in five classes	Must maintain passing status in four classes
<b>Sports teams</b>	12 sports offered Soccer Football Cross-country Cheering Field Hockey Basketball Competition Cheering Indoor Track Wrestling (joint program) Ice Hockey (joint program) Baseball/Softball Track and Field	15 sports offered Soccer Football Cross-country Fall cheering Field hockey Golf Basketball Cheerleading Skiing Wrestling (joint program) Ice Hockey (joint program) Baseball/softball Lacrosse Tennis Track
<b>Organizations and clubs</b>	Diversity Club / GSA, Drama, French Club, Green Team, Heritage Club, Key Club, NHS, Peer Tutors, Select Chorus, Spanish Club, Student Council, Jazz Band, Art Club <b>Note:</b> For both schools: certain activities – especially music related – are part of the school curriculum, with substantial requirements for “extracurricular participation”	Art Club, Band, Chorus, Drama, Environmental Club, French Club, Interact Club, Latin Club, Literary Magazine, “Inspiration,” Marching Band, MASK, Math Team, NHS, Natural Helpers, Recycling Club, School Newspaper, Spanish Club, Student Council, Water Monitoring Club, Yearbook

In many ways, Traip Academy and Marshwood High School are fairly similar, with the main distinction being that Marshwood is a medium-sized comprehensive high school and that Traip is a small comprehensive high school. Marshwood offers more choices, while Traip's smaller size affords more opportunity for student participation.

### **Finance subcommittee conclusion**

After the costs of unemployment during the first and second years of a tuitioning arrangement, closing Traip Academy would result in cost savings for Kittery. Analysis suggests tuitioning could result in variable savings of \$400,000-\$850,000, depending on student enrollment and other factors.

**Further savings might result from changes in the special education programs** resulting from a combination of the Marshwood/Traip offerings. However, this is purely speculative. **Additional costs in special education** are also possible if the Kittery School District had to "outplace" a handful of Kittery special education students to a special services program.

In addition to the cost analysis and the comparison of features of the two schools, the Secondary Education Review Committee recognizes that distance is a factor that should be taken into account as the School Committee makes its decision. The transportation of over 270 students back and forth between Kittery and South Berwick is more than a budgetary consideration, and traffic safety concerns should be factored heavily into the decision-making process.

Traip Academy, like many high schools, offers a comprehensive program of study, co-curricular, and extra-curricular activities, in keeping with the model for public secondary education that began in this country in the 19th century and was developed over the course of the 20th century. We know that the per-pupil cost for maintaining this model will likely increase through a ten-year enrollment decline. But given the fluctuation in savings that might result from tuitioning out, questions about cost and savings may be secondary to bigger questions, questions about whether and how we are preparing all students for the 21<sup>st</sup> century.